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Warren D. Hannah
Director, Federal Regulatory Relations
United and Central Telephone Companies

EX PARTE

November 3, 1994

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W. Room 222
Washington, D.C. 20554

RE: In the Matter of Price Cap Performance Review for Local Exchange Carriers
CC Docket No. 94-1

Dear Mr. Caton: DOCKET FILE COPY ORIGINAL

Today representatives of Sprint Corporation met with Mssrs. Dan Grosh, Mark Uretsky, Anthony Bush and Alex Belinfante of the Common Carrier Bureau's Tariff Division to discuss issues in the above referenced matter. Information on the attached, relative to Sprint's comments and reply comments submitted on May 9 and June 29, respectively, was discussed.

Representing Sprint were Mssrs. Jay Keithley, Warren Hannah, John Ivanuska, Jim Sichter, Pete Sywenki, Bill Cheek and Rick Kapka. Sprint asks that this information be added as part of the record in this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Warren D. Hannah".

Warren D. Hannah
Director
Federal Regulatory Relations

Attachment

cc: Mr. Dan Grosh
Mr. Mark Uretsky
Mr. Anthony Bush
Mr. Alex Belinfante

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SPRINT PRICE CAP REFORM PLAN

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SPRINT PRICE CAP REFORM OBJECTIVES

OBJECTIVE

- **INCREASED CONSUMER BENEFITS**
- **INCREASED INCENTIVES FOR PRODUCTIVITY/INFRA-STRUCTURE INVESTMENT**
- **MEASURED STEPS TO ENHANCE LEC's COMPETITIVENESS**

Achieved Through:

- **Access Rate Reductions Greater Than Existing Price Cap Plan**
- **Higher Productivity Offset**
- **Elimination Of Sharing**
- **Streamlined Regulation/Increased Pricing Flexibility for LECs Choosing the Sprint Plan**

SPRINT PRICE CAP REFORM PLAN SUMMARY

- **5 Year Plan**
- **Optional**
 - **LEC could opt to stay under current plan (3.3% productivity offset, sharing)**

Key Elements of the Sprint Price Cap Plan

- **4.5% Productivity Offset**
- **2% Upfront Rate Reduction**
- **Elimination of Sharing/Lower Formula Adjustment Mark (LFAM)**
- **LECs choosing the Sprint Plan Option would qualify for more streamlined regulation and greater pricing flexibility, e.g.:**
 - **Immediate implementation of Zone Density pricing**
 - **Targeting of Upfront Rate Reduction to high density transport rates**
 - **Targeting of portion of Productivity factor to RIC phasedown**
 - **Flexibility to move depreciation rates to economic levels**
 - **Increased downward pricing flexibility**
 - **Streamlined review of Video Dialtone filings**

94-1 Time Line

1994

December 15

- Commission open meeting

December 22 (?)

- Price Cap order issued

December 26

- LEC's choosing Sprint Plan option:
 - Reinitialize Price Cap Indices
 - File across the board Rate Reduction of 2.6% (2.1% for LECs using 4.3% productivity offset)
 - 2.0% upfront Rate Reduction
 - .6% (.1%) half year additional productivity offset
- LECs opting for existing plan
- No filing required

1995

January 1

- Rate Reductions take effect (\$535M if all Price Cap LECs choose the Sprint plan)

July 1

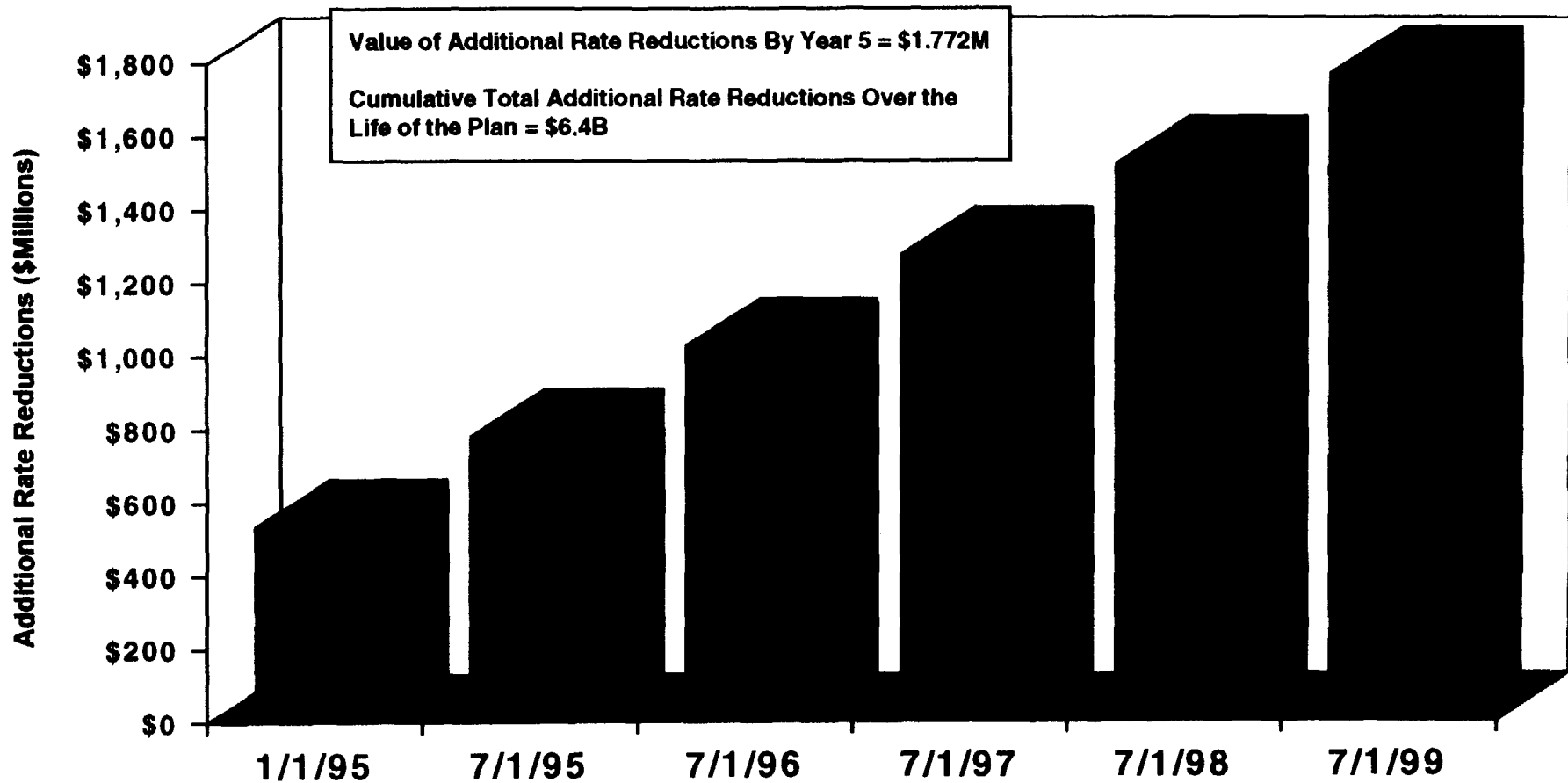
- 4.5% productivity offset
 - *2% targeted to High Density Transport rates*
 - * 1.7% targeted to RIC phase down*

* Targeting could be provided for in the 94-1 Order, or could be determined in the transport proceedings (91-141/91-213)

Exogenous Cost Change Rules

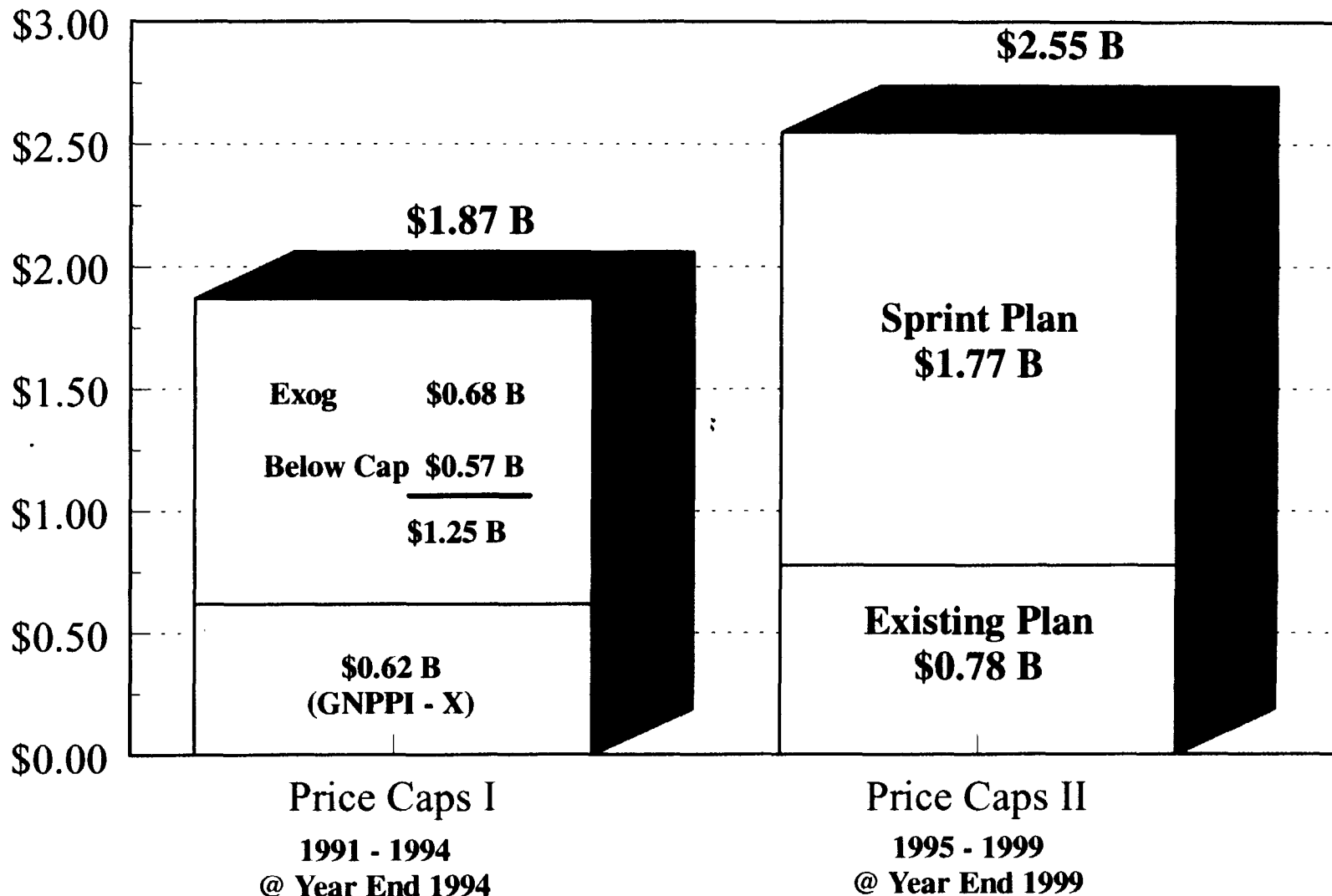
- **Exogenous cost changes defined in the rules**
 - Separations (Part 36)
 - Regulated/Nonregulated Reallocations
 - Support payments (TRS, LTS)
- **All other (e.g., tax law, accounting changes and infrastructure mandates)**
 - Case by case review
 - Materiality criterion (impact must equal or exceed 1% of revenues)

Potential Rate Reductions Under The Sprint Price Cap Plan Compared to the Existing Price Cap Plan*



* Based on Total Industry 1993 Price Cap Revenues of \$20.6B
- Assumes All Price Cap LECs elect to participate in CIDIP

Potential Access Rate Reductions Under The Sprint Price Cap Plan



* Assumes all Price Cap LECs elect Sprint Plan option.